<u>IN THE CLAIMS</u>

Please amend Claims 1, 7, and 8 as follows[1]:

1. (Amended) An image encoding apparatus, comprising:

generating means for generating a first prediction error difference on the

basis of a first value of at least one reference pixel and a first prediction value of the

reference pixel, and generating a second prediction error difference on the basis of a second

value of <u>an</u> encoding target pixel and a second prediction value of the encoding target

pixel, the reference pixel being encoded before the encoding target pixel is encoded and the

first prediction error difference being generated before the second prediction error

difference is generated;

judging means for judging an appearing prediction error difference and an

unappearing prediction error difference on the basis of the first prediction error difference,

[and for encoding the second prediction error difference on the basis of the judged

appearing and unappearing prediction error differences,] wherein the second prediction

error difference is not used in the judging operation;

changing means for changing a first corresponding relationship between

prediction error difference and encoding data to a second corresponding relationship

between prediction error difference and encoding data according to a result obtained by

said judging means; and

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1/   Because the present application is a reissue application, the claim amendments set
forth herein have been made in accordance with MPEP § 1453 and 37 C.F.R. §§ 1.121(h)
and 1.173(b).

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encoding means for encoding the second prediction error difference on the basis of <u>the appearing and unappearing prediction error differences judged by said judging means and</u> [a selected] one of the first and second corresponding relationships to obtain corresponding encoding data.

7. (Amended) An image encoding method, comprising the steps of:

generating a first prediction error difference on the basis of a first value of at least one reference pixel and a first prediction value of the reference pixel, and generating a second prediction error difference on the basis of a second value of an encoding target pixel and a second prediction value of the encoding target pixel, the reference pixel being encoded before the encoding target pixel is encoded and the first prediction error difference being generated before the second prediction error difference is generated;

judging an appearing prediction error difference and an unappearing prediction error difference on the basis of the first prediction error difference, [and for encoding the second prediction error difference on the basis of the judged appearing and unappearing prediction error differences,] wherein the second prediction error difference is not used in the judging operation;

changing a first relationship between prediction error difference and encoding data to a second corresponding relationship between prediction error difference and encoding data according to a result obtained in said judging step; and

encoding the second prediction error difference on the basis of <u>the appearing and unappearing prediction error differences judged in said judging step and</u> [a selected]

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one of the first and second corresponding relationships to obtain corresponding encoding data.

8. (Amended) A computer readable storage medium that stores program codes for executing an image encoding method, said method comprising the steps of:

generating a first prediction error difference on the basis of a first value of at least one reference pixel and a first prediction value of the reference pixel, and generating a second prediction error difference on the basis of a second value of an encoding target pixel and a second prediction value of the encoding target pixel, the reference pixel being encoded before the encoding target pixel is encoded and the first prediction error difference being generated before the second prediction error difference is generated;

judging an appearing prediction error difference and an unappearing prediction error difference on the basis of the first prediction error difference, [and for encoding the second prediction error difference on the basis of the judged appearing and unappearing prediction error differences,] wherein the second prediction error difference is not used in the judging operation;

changing a first relationship between prediction error difference and encoding data to a second corresponding relationship between prediction error difference and encoding data according to a result obtained in said judging step; and

encoding the second prediction error difference on the basis of the appearing and unappearing prediction error differences judged in said judging step and [a selected]

one of the first and second corresponding relationships to obtain corresponding encoding

data.